

CIRCULAR LETTER



DEPARTMENT OF STATE

Washington, D.C. 20520

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January 2, 1974

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Dear Colleague:

Enclosed is PM's present for your perusal as the New Year begins. We have attempted a more analytical approach to several of the topics discussed, which is partly a reflection of the Secretary's oft-reiterated desire to have all reasonable options presented for his consideration, and partly because we cannot hope to rival wire service tickers and cable traffic. I hope you find these circular letters useful, but I cannot stress too strongly that they be treated as strictly confidential burcau views, especially where they concern on-going negotiations.

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First off, I would like to pass on to you some observations I made to the Secretary after my brief trip to Brussels, Paris, Bonn and London November 7-16:

Alliance Relationships. The Alliance is at a critical juncture. The new generation in Europe, devoid of historical memory of World War II, Berlin, Cuba, etc., is prone to doubt the utility of the Alliance. Thus, crises such as the Middle East present the danger of divisiveness within the Alliance. It was felt by some that the US played into the hands of those (such as the French?) who wish to undercut US leadership. Failure on our part to articulate the problem and inadequacy of consultation were cited. The Middle East crisis has clearly left a bad taste on both sides of the Atlantic. However, it may well be possible to seize upon it as an opportunity rather than a liability. I believe our allies are conscious that their own performance left much to be desired, even as they criticize the handling of the Alliance by the US. Moreover, they generally applaud the resolute way the US handled the matter in the Middle East and vis-a-vis the Russians.

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Agreement on Prevention of Nuclear War. Whatever purposes this agreement may serve, it has complicated our relations with the Europeans. Rightly or wrongly, it appears to our allies, at its best, as a shift in priority of US interests from them to the Soviets and, at its worst, as the epitome of super power condominium. As you know, the Secretary spoke at the NATO Ministerial on US perspectives with regard to the Agreement, emphasizing that: (a) its main purpose is to codify the requirement for consultation between the two major nuclear powers in advance and during a crisis (a matter no ally denies to be a valid requirement); (b) it explicitly provides for consultations with our allies and explicitly provides that the Agreement in no way diminishes commitments to our allies, including our nuclear commitment; and (c) it provides an important check upon aggressive Soviet politico-military behavior which could otherwise lead to crisis situations and in turn to nuclear war.

Relations with France. Uniformly, French actions seem, to our people in Europe, calculated to separate the US from its NATO allies. However, military to military cooperation continues. A preliminary indication has even been given that when the French finish their planning on tactical nukes, they will be willing to explore the possibility of some coordination with the US, though how far this will go is most uncertain. But, at a political level, there is less evidence of cooperation.

UK Defense Effort. In a lengthy luncheon conversation I learned that the British are considering, on a very close-hold basis, a cut in their defense effort. Though this was in no way suggested as imminent (after 1976 was the time frame), the problem the British are now having could well increase pressure on their defense budget. (Indeed, it already has.) They are interested in our views, or at least so indicated, as to how we would prefer to see such a cut distributed as between Europe and elsewhere. Their own priority is NATO and, interestingly enough, the development of a European defense entity (though precisely how this would impact on British defense planning is unclear). I think we could influence them, within limits, if we were clear what British military presence we found most important to us.

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Deputy Secretary Rush requested in late November a critique of Middle East crisis management and we responded with a paper on both substantive and procedural matters. One outgrowth of this process, of special interest to you, is that Mr. Rush approved our recommendations that: (1) the Operations Center, under the direction of the Executive Secretary, adopt procedures for automatic notification to all Embassies and missions abroad when confirmation has been obtained that we have instituted a change in the alert posture of US military forces; and (2) the Operations Center, under the direction of the Executive Secretary, and in consultation with other appropriate officials, direct Ambassadors in those countries with which we have security agreements or in which we have significant military forces to inform host governments that our forces have changed their alert posture. Other Ambassadors would be instructed to await specific guidance from Washington, but could request such guidance urgently if necessary. A cable incorporating this procedure has now been sent to the field. We have had some useful comments, notably from USNATO, which we are now considering.

On the PM front office personnel side, Lou Nosenzo has come over from Lulejian Associates to be a resident strategic policy analyst for the Bureau. Hawk Lindjord is up and about again and has resumed working full time. Boris Klosson is in town during the SALT recess. Jim Hall has departed for Saigon and Andy Spisak, fresh from the A-100 course at FSI, is our new Staff Assistant. Chris Jones has moved over to ISO and Dee Nicholson from the M staff, as our Staff Assistant for Administration, will be assisting Tom Stern in backstopping you.

Season's greetings and our best wishes for a happy and peaceful New Year to you and yours,

Sincerely,

  
Seymour Weiss  
Director

Bureau of Politico-Military Affairs

Enclosures

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SALT

The SALT negotiations recessed November 16 after having achieved little progress in the last round. Resumption is expected in the latter half of January 1974.

The Soviet October 9 draft SALT agreement (described in the October circular letter) showed little change from their earlier positions. Although they hinted at some flexibility and clarified some aspects of their draft, major ambiguities, such as their MIRV proposal, remain subjects for negotiation. Toward the end of the session Semenov did indicate that the Soviets could agree to the establishment of "agreed aggregate numerical levels" for ICBM and SLBM launchers and strategic bombers, but provided that the US withdraw its so-called "forward-based systems" and that there be "mandatory account for the existence of nuclear systems in third countries." This position is similar to the Soviet posture in much of SALT ONE. The Soviets continue to show no inclination to accept a non-circumvention solution to "FBS". We continue to find unacceptable proposals for the unilateral withdrawal of US non-central systems forward deployed in support of alliance commitments, and Ambassador Johnson has reaffirmed to Semenov our unilateral statement of SALT ONE with respect to the non-inclusion of Allied NATO ballistic missile submarines.

Late in the last round, the Soviets also suggested a possible separate agreement on non-transfer. Our position remains that we cannot address the question of non-transfer until the main elements of a strategic offensive agreement have been worked out, i.e., until we know what is to be limited. We continue to support an equal aggregate level of 2350 ICBM and SLBM launchers and heavy bombers for each side--a level which would require modest Soviet reductions and allow a slight US buildup.

Ambassador Johnson consulted with the North Atlantic Council on November 12, shortly before the SALT recess, and discussed the main elements of the Soviet draft. The PermReps agreed that the draft was disappointing, particularly on "FBS".

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The US-Soviet Standing Consultative Commission (SCC), established to help implement the SALT ONE agreements, also adjourned in late November with the next session expected to begin in February or March, 1974. The US and Soviet commissioners achieved progress in some areas, including agreement ad referendum on limiting ballistic missile submarines under construction to a number consistent with a normal construction schedule, but significant differences remain on ICBM and SLBM dismantling and destruction procedures and on the question of "prior" notification of such activities.

During the holiday recess, we are taking stock of the current status of the negotiations with a view toward developing an approach for the resumption. The Verification Panel has met twice and is expected to meet again soon. Senator Jackson has suggested an approach of his own for SALT, involving deep reductions, as you have undoubtedly read in the press. An Ad Hoc Committee of the Verification Panel Working Group has also been active. Our principal focus has been the time-urgent question of possible limitations on Soviet MIRV development--particularly prospects for constraining MIRV development for the new Soviet heavy ICBM, the SS-X-18. The utility of seeking MIRV limits, and possible prices for achieving them, are being assessed. As you can imagine, there are differences of view on these points, but the useful discussions in the Verification Panel are at last beginning to sort out where the main issues are. As the Secretary pointed out in his year end press conference, we are dealing with a new and more complex set of issues in SALT TWO. Both sides are having problems in developing a conceptual frame-work for dealing with qualitative as well as quantitative issues. However, we believe there are good prospects for coming up with some new approaches, particularly to the MIRV problem, by the time the next session convenes.

MBFR

The talks have proceeded in a businesslike, serious manner from the outset, but at a brisker pace than we had anticipated. Contrary to expectations, the Warsaw Pact tabled the first proposal on November 8, shortly after the opening of the conference. The West countered by tabling a framework proposal on November 22. Essential elements of the two proposals are compared below:

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Allied

Warsaw Pact

Area

--NATO Guidelines Area  
(NGA - FRG, Benelux, GDR,  
Czechoslovakia, Poland)

--NGA

--NGA in the first instance,  
but done in manner designed  
to avoid creation of special  
juridical zone.

--Hungary issue reserved.

--Ground forces.

--Ground, air and nuclear forces.

--US-Soviet in 1st phase

--All forces, all countries,  
in all phases.

Basic Mechanism

--Negotiate to a common  
ceiling, in course of  
which major disparities  
and threatening elements are  
to be redressed by special  
cuts on the Soviet side  
(heavier manpower cuts,  
tanks, etc.).

--Maintain the correlation of  
forces through equal proportional  
cuts not only in manpower, but by  
types of units.

Program of Reductions

--Two separately negotiated  
phases involving: a 15% cut  
of US and Soviet ground forces  
in phase one; reduction to  
common ceiling in phase two.

--A single phase negotiation  
resulting in three reduction  
steps: first, a 20,000 man cut  
(1975); second, a 5% cut (1976);  
third, a 10% cut (1977)--with  
reduction applying at each step  
to all MBFR direct participants,  
on basis proportional to  
present composition.

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Disposition of Troops

--US has option to reduce by thinning out.

--Soviets must withdraw units.

--Associated measures (not yet formalized in Alliance) may involve additional demands regarding geographic and other restrictions on redeployment of withdrawn Soviet units.

--Foreign forces to be removed to national boundaries.

--Indigenous forces to be demobilized.

--Position on reserves indicates opposition to placing demobilized forces in reserve.

Disposition of Equipment

--US to have option to preposition heavy equipment.

--Soviet equipment must be withdrawn.

--Foreign equipment to be returned to national boundaries along with withdrawn units.

--Indigenous equipment to be removed from active service (no indication yet if Soviets have mothballing, destruction, etc., in mind).

Verification

--National means and a variety of other negotiated measures (mobile inspection teams, choke points, etc.).

--National means.

Associated Measures

--Assorted measures under discussion in NATO. (The former so-called prereduction constraints and other possible constraints directly associated with reductions, i.e., stabilizing and non-circumvention measures).

--Notification at outset and conclusion of "practical measures" to effect agreed reductions.

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For the time being, the two sides will be arguing for their proposals and probing the other's position. The real Soviet priorities are not yet entirely clear. On the basis of the Eastern proposal, however, it would appear that the East's primary concerns in the talks are to secure (a) reductions of Western air and nuclear forces, (b) cuts in the Bundeswehr, and (c) restraints on possible future European defense cooperation. The agreed Allied position provides bargaining room to meet the first two Eastern concerns, but the Allies show increasing determination to preserve maximum flexibility with regard to the evolution of European defense cooperation. The current problem in Washington is to determine what is "tradeable" and what will be sought from the East as quids in return for our responsiveness on matters of concern to them. There is a growing conviction here that the West ought to take some steps early in the year to move the negotiations forward on ground that is favorable to us; but we want to avoid any major concessions early in the negotiations on issues that appear to have useful negotiating leverage, such as the Bundeswehr.

#### NSSM 171 Developments

The lengthy, diffuse planning exercise on Strategy and Forces for Asia (NSSM 171) continues to produce studies, but appears further than ever from engaging the real policy issues. It is now clear that we will not derive from this effort the long-range projection of our East Asian force posture that we hoped for earlier this year. Decisions are still demanded by circumstances, the paramount ones being the evolution of our relations with Peking and the uncertain military situation in Indochina.

On Thailand, the President has directed that our combat units remain until the end of the current dry season. Defense has been instructed to prepare plans for redeployments that would bring US personnel strength down to 27,400 men -- beginning in May 1974, and carrying through to the end of FY-75. Some largely cosmetic, non-combat-related reductions are to be considered in the meantime, in the event Thai political pressures grow intense. We are informing the Thai of our short-term planning and of the hold on major withdrawals until next May, indicating we hope then to resume withdrawals of combat aircraft in consultation with the RTG.

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On Taiwan, the departure last month of the last of the American C-130's, originally deployed in 1966 for Viet Nam support, will leave our numerical presence at approximately pre-Viet Nam levels. A further decision on withdrawals is being considered, but timing depends on the evolution of our relations with the PRC. Obvious candidates are the two US F-4 squadrons sent to Taiwan last year in connection with Enhance Plus. Their departure hinges on replacement of the F-5's the ROC transferred to us for the Vietnamese as well as on political considerations, and is thus somewhat flexible. Removal of these units would bring US military personnel levels down sharply. Of equal or greater significance, it would signal a qualitative shift in our presence on the island, as we would no longer have combat forces stationed there. 17

The concept of converting the US Army Division in Korea into a mobile reserve for the Western Pacific has gathered no ground swell of support, either here (it would reduce flexibility and perhaps intrude upon the North-South dialogue) or, more saliently, among the senior levels at the Pentagon.

#### UN Peace-Keeping Operations

In the aftermath of the Arab-Israeli War, PM organized and chaired a working group in the Operations Center to coordinate U.S. assistance to the United Nations for its peace-keeping operations. In addition to assisting in the initial deployment of UN forces from Cyprus, our UNEF Working Group has continued to facilitate UN airlifts of national contingents and support equipment. To date, the USG has provided on a non-reimbursable basis approximately \$4.5 million in airlifts of national contingents from Finland, Ireland, Peru, Panama, and Indonesia. We also picked up 220 Austrians and their gear in Vienna after they were left stranded by the Soviets, who had originally agreed to transport them. Currently 5,200 of the planned 7,500 UN troops are on the ground in the Middle East on six-month assignments. The peace-keeping is expected to cost \$30 million during the first six months, of which the US will pay \$8.6 million. In addition, we have done more than any other nation on a nonreimbursable basis in this operation. We continue to be approached by the UN for help, due in large measure to the fact that UN force contributors have regarded ours as the most efficient and helpful airline. Fly USAF!

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The working group also coordinated the augmentation of UNTSO by 36 Soviet and American observers, as called for in the cease-fire agreements. The US has added 28 new officers to the 8 who were already on detail to UNTSO at the start of the war.

#### Iceland Negotiations

Foreign Minister Agustsson has met with the chief U.S. negotiator, Ambassador Porter, for two separate negotiating rounds, one in Washington and the other in Iceland, during the fall of 1973; another round is scheduled for mid-January 1974. No conclusions have been reached, but the Icelandic side, as expected, has indicated that if the base is to stay, there must be a reduction of the U.S. military presence by about one-third, making replacements as necessary and possible from among Icelandic or American civilians. The negotiations have been conducted in a friendly atmosphere made even more hopeful by the successful resolution of the bitter Anglo-Icelandic fisheries dispute. Among the issues in the current negotiation include the improvement of conditions for those American servicemen who would remain and the matter of consolidating the American presence on base.

#### Azores Negotiations

Ambassador Porter has held two negotiating sessions thus far with the Portuguese negotiator, Ambassador Themido. In these, the US has managed to convey its interest in retaining the Azores facilities, and has expressed its gratitude to the Portuguese for their cooperation during the aerial resupply effort to Israel. We have also listened to the Portuguese lament about how little the Portuguese Government has gotten out of the last extension and how important it will be--if there is to be a new extension--that the Portuguese Government feels satisfied at the bargain struck.

The Portuguese have obviously set a high price, but they have not yet tipped their hand to us on specifics. However, they have indicated their interest in sophisticated weaponry. Finally, they have also expressed keen interest in a rather full educational exchange package geared toward improving their business, managerial and technical skills.

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A special study (NSSM 189) is now in preparation to reassess the value of the Azores base, especially in light of the use to which Lajes was put during our aerial resupply of the Israelis during the 1973 war. We are now awaiting a more complete Portuguese shopping list before moving to further analysis of possible "quids" we can offer, including rental, for the Lajes facility. (We remain committed to dealing with the NATO uses of the facility--both ASW and transit--in the burden-sharing context and hope to work out an agreement with Lisbon to pay only for the US uses.)

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Status of FY-74 Security Assistance Legislation

Congress passed authorizations and appropriations for FY-74 security assistance programs which, in addition to regular programs, provide funding to meet emergency program requests for Israel and Cambodia. Details are outlined below:

1. Worldwide programs (in millions):

a.	MAP	\$450
b.	FMS	0
	NOA	\$325
	Program Ceiling	\$730
c.	Security Supporting Assistance	\$112.5

2. Israeli emergency assistance: \$2.2 billion  
(up to \$1.5 million available as grant assistance--the remaining on credit terms).

3. Cambodian emergency assistance: the Authorization bill allows the President to use the drawdown authority of Section 506 to provide up to \$200 million from Defense Department stocks to meet the emergency requirements for Cambodia.

This security assistance legislation was the subject of intense debate within Committees, on the floor of each House, and in the House-Senate Conferences. The Executive Branch succeeded in having a number of restrictive provisions dropped from the legislation. Although overall appropriations for MAP and FMS are low, the fact that the legislation passed at all represents a considerable triumph for the Administration.

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Lowenstein and Moose in Europe

On December 2, 1973, the Senate Foreign Relations Committee published its unclassified version of the Report on Europe: Burdensharing, MBFR and Nuclear Weapons. The report was written by Messrs. Lowenstein and Moose and, in its classified version, provides a most comprehensive analytic status report of the three areas it addresses. The Executive Branch security review of the report, which was coordinated by PM, required the intensive participation of more than seventy-five officials from State, DOD, ACDA and AEC and we believe it produced a valuable and informative unclassified summary. Although Senator Symington was not entirely satisfied with some of the deletions in the unclassified version of the report, he did state publicly that: "Nevertheless it represents a significant step forward in breaking down arbitrary barriers to information heretofore applied."

We expect that DOD and State will, in the near future, conduct a comprehensive review of our policies concerning the classification of information on nuclear weapons, which will be followed by executive session hearings sponsored by the Foreign Relations Committee of the Senate in February.

It may interest those of you in Europe who were involved in assisting Lowenstein and Moose that, on their return to Washington, they told us this had been the most satisfactory trip they had made in their long experience as Senate investigators. END UNCLASSIFIED.

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Offset and Burdensharing

The President's goal of 100% offset of our military balance of payments (BOP) deficit in NATO Europe received substantial impetus November 16 with the passage of the Jackson-Nunn Amendment. This legislation requires the President to reduce our troop strength in Europe by the same percentage that our military BOP for FY-74 is not offset. Although the language and the legislative history of the Amendment would suggest that our allies have 22 1/2 months to offset 12 months of our expenditures, the intent of Congress is obviously to offset the military BOP deficit on an annual basis, and our planning is based on this assumption. Our military BOP expenditures in Europe for FY-74 are estimated at \$2.5 billion. Excluding "non-NATO" related items, such as our strategic deterrent forces in Europe (which the Jackson-Nunn Amendment allows us to do), reduces this total to about \$2.2 billion, possibly less, pending final determination by the Departments of Commerce and Defense.

The most important offset package is the one now being negotiated with the FRG for FY-73/74. The Germans have so far offered "hard" offset (chiefly military procurement) totaling about \$1.4 billion for the two years, and it is unlikely that they will go higher. Indeed, the case can be made that if an agreement is not signed soon, the continuing improvement of the overall US BOP with Europe and the exigencies of the energy crisis may erode the position already obtained. It is generally agreed that a 100% offset figure for Germany is a political necessity--but that the Germans will never offer enough "hard" offset to cover the gap between their current \$1.4 billion offer and the \$3.3 billion which we estimate as our total BOP expenditure in Germany for FY-73/74. PM and EUR's position is that we should try and close the German negotiations quickly by filling the remaining gap with loans negotiated at concessionary rates of interest. However, the economic agencies (including some elements in State) object to loans as having no real BOP effect, and there is also some risk that Congress will not consider loans as valid offset. It is our hope that during January this can be sorted out both in Washington and with the Germans. One more effort will be made, however, to increase the hard offset component.

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It is generally conceded that not much movement will take place on multilateral burdensharing until the FRG agreement is nailed down. We have presented our non-German allies with an illustrative program of procurement and budgetary support which would offset our non-German military BOP expenditures for FY-74, using approximately the NATO infrastructure formula. This proposal has resulted in some promises of additional procurement. In addition, we may be able to negotiate some reduction in our NATO infrastructure costs. Increased allied procurement and lowered US infrastructure costs should cause our BOP receipts from our non-German allies to come very close to fully offsetting the non-German side of the BOP deficit, estimated at from \$550 to \$750 pending final determination. We should therefore not have to resort to loans in the multilateral context.

The concept of "budgetary support" (payment by our European allies of incremental US budgetary costs associated with the stationing of US troops in Europe) has, for some time now, been folded into the overall problem of BOP offset. All of the programs for relieving our military BOP deficit have included some offset of budgetary costs as a component. We will probably receive on the order of \$150 million in budgetary support from our European allies for FY-74 (all of which counts as BOP offset). There is some movement in the bureaucracy to give budgetary support greater emphasis, but we see little prospects of getting much more from our allies, and some danger that any further increases in direct budget support will be at the expense of allied force improvements.

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BRIEFING MEMORANDUM

S/S

December 24, 1973

TO : The Secretary

FROM: PM - Leon Sloss, Acting

Growing Difficulties of Access to Overseas Bases

Introduction

You have asked us to identify issues which do not require immediate decision but which will require some study, and involve decision at some later point. The growing difficulty in maintaining our worldwide base structure is an example of such an issue.

The Problem

Our ability to secure overseas base and facility rights for U.S. forces in many areas of the world will encounter increasingly tough-minded negotiating tactics by host governments, accompanied by tighter restrictions on our ability to use freely the bases and facilities in question. At the same time our ability to offer satisfactory guids for base rights has diminished.

We are now engaged in negotiations with Iceland, Portugal, and the Bahamas regarding the retention of important U.S. military facilities in each. There is a strong probability that DOD will seek our approval in the near future to move ahead with Phase II of homeporting the Carrier Task Group in Athens, involving deployment in 1974 of an aircraft carrier, its embarked air wing and a hospital support ship. Australian Defense Minister Barnard is scheduled here in early January to discuss the future status of the U.S. Navy communications facility at Northwest Cape. As we look beyond 1973, we will be under increasing pressures in Japan and Okinawa for further reductions and consolidation of our facilities there. The agreement covering our access to facilities and bases in Spain must be renegotiated by 1975; and there is every likelihood that President Marcos, probably within the next 18 months, will request a review of the status of our base arrangements in the Philippines.

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Background:

We discern a distinct trend for host governments increasingly to demand more in terms of a quid pro quo in exchange for base rights. This comes at a time of sharply curtailed resources available to the Executive Branch for such quids (military grant and/or credit assistance, PL 480, economic aid, EX-IM Bank drawing rights, etc.). Similarly, the Administration is confronted with Congressional efforts to circumscribe its leverage in providing political quid, such as new or broadened security commitments. (The Spanish have indicated that a U.S. security commitment may be central to their consideration of an extension of the 1970 base agreement.) Concurrently, we are likely to be faced again with legislative proposals that any subsequent basing arrangements must be either submitted to the Senate for "advice and consent" or be subjected to approval by a majority of both Houses of the Congress.

An associated and also vexing problem relates to usage of bases and facilities. We are finding it increasingly difficult to be assured of unfettered use of overseas military installations to serve U.S. interests, especially in situations where the policy the U.S. is following is one on which the host country has not been consulted or from which it wishes to disassociate itself. Furthermore, we find our ability to project military power from the Atlantic Basin into the Middle East and beyond limited not simply by an absence of dependable basing, but also by the restrictions imposed on our military overflights and, to a lesser extent, on U.S. Navy port visits. Some of these problems also relate directly to the upcoming Law of the Sea negotiations. For example, the issue of free passage through international straits could affect the Gibraltar Straits, which is pivotal to access of our ships and aircraft to the Mediterranean.

While this problem of restrictions, based on divergent national interests, can be seen almost everywhere we have bases, it was most graphically demonstrated during the recent Middle East War, and the conclusion is ominously clear. Our ability to project military power of any sort in the Middle East/Indian Ocean area is based on a rather slender structure of bases and agreements, without which we would be unable to back up our political initiatives in the Middle East area. This points up the central importance of Lajes (Azores), Diego Garcia (Indian Ocean), and Bandar Abbas (Iran) to our resupply of Israel and the ability to sustain the deployment of a carrier task group in the Indian Ocean. Of equal

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importance is our continued ability to have operational access through the Mediterranean and the Iranian/Turkish corridor for our military aircraft engaged in supporting U.S. military activities in the Western Indian Ocean/Arabian Sea area.

In view of the above considerations, we have informally been reviewing within the Department and with DOD how we can minimize the constraints, both foreign and domestic, which now affect, or promise to affect, our more essential overseas basing requirements. The issues identified below address (1) the need to subsidize base rights, (2) our Congressional problems, and (3) the limitations in our Mediterranean base structure. It should be emphasized that each base rights negotiation presents a range of problems that are unique to the negotiation at hand, a judgment that points to the continued need for case-by-case analysis.

#### Analysis

ISSUE 1: The feasibility of DOD service-funding of straight rental or leasing arrangements as an alternative, but not a complete substitute, for underwriting guid costs for essential overseas base and operating requirements.

#### Advantages:

Service funding (a) recognizes the fact that program resources to fund adequately essential base rights (MAP, FMS, various forms of economic aid to include PL 480 and EX-IM credits) are increasingly hard to obtain, and (b) acknowledges the need for additional funding sources to meet rising host government guid expectations.

The precedent for service funding already has been established in the COMIDEASTFOR stationing agreement with Bahrain, the Kagnaw Station (Eritrea) leaseholds, and in the authorized guidance for the contemplated negotiations for Bahamas facilities.

Further, given projected DOD budgetary stringencies, service funding will place overseas base requirements in a

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competitive position with other service programs. This should compel the services to develop a more rational and clearer order of priorities in overseas basing requirements than has obtained in the past when DOD has tended to argue that virtually all overseas basing requirements were of co-equal importance.

Finally, service funding may prove more acceptable to the Congress since we will be paying directly for facilities in lieu of using MAP or other less easily identifiable authority and funds. This should neutralize some past Congressional critics who have contended that the use of Security Assistance and other programs as quid payoff for base rights is a distortion of the purposes of such programs.

Disadvantages:

DOD is less than enthusiastic with service funding since they view base rentals as adding new funding obligations to already strained service budgets. DOD is also concerned with the undesirable precedent of utilizing base rentals in one country, which could create a precedent to apply to base negotiations worldwide. The concept may also be unattractive to certain host governments who do not wish their relationship with the U.S. to be identified as exclusively materialistic (selling facilities for cash). 1.5

applied to any NATO country (e.g., Portugal, Turkey), we would invite criticism in the Congress and elsewhere that base rentals run counter to the Alliance principle of mutual self help in general and our burdensharing efforts in particular.

Additional Congressional criticism may be generated, particularly from the SFRC and the HFAC, on the grounds that we were finessing Congressional foreign affairs prerogatives by hiding base rights requirements in service budgets subject to review and approval by the Armed Services Committees. Finally, base rentals may fall short of the quid expectations of host governments. DOD, under statute, is enjoined from paying more than "fair value" for base rentals and while DOD lawyers see some flexibility in applying the "fair value" formula to extract more quid, it is questionable that this alone would be sufficient to meet our negotiators needs.

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Next Steps:

The issue of service funding of any explicit base arrangement does not require a decision from you now. However, it would be useful to us to have your general guidance on the issue. The dollar order of magnitude we may expect from the DOD budget to underwrite base rights requirements will impact, inter alia, on what percentage our planners should allocate from Security Assistance to compensate for essential base rights. Meanwhile we intend to pursue with DOD, in concert with the Regional Bureaus concerned, the feasibility of the base rentals option.

ISSUE 2: The submission of base arrangements, as Treaties or in some other form, for Congressional approval rather than as Executive Agreements.

In the last session of Congress, the Senate endorsed two amendments by Senator Case, one on the submission of the Azores Agreement and the other providing for a broader requirement for submitting all new base agreements to the Senate for ratification as treaties. While both amendments were finally eliminated, for differing reasons, from the legislation, it is clear that there is considerable sentiment for requiring some form of Congressional approval for base arrangements. We believe that this question will arise again, particularly as we conclude new agreements. This is an issue which has been vetted in NSSM 179 on Spain and which is currently being explored in NSSM 189 on the Azores Base Agreement Negotiations. The latter is likely to be the next agreement to raise the issue in concrete form.

The draft Azores NSSM identifies 4 options to deal with base agreements:

1. To submit the agreement to the Senate as a treaty for ratification.
2. To proceed as we have in the past with an executive agreement without Congressional approval.
3. To submit the agreement voluntarily for Congressional approval by joint or concurrent resolution.

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4. To seek Congressional approval through a mechanism of obtaining authorizing legislation and specific appropriations for the quid pro quo in the agreement.

#### Next Steps:

These four options in the draft Azores NSSM would seem to cover the range of practical possibilities for other agreements as well. Accordingly we will continue our assessment of these options with the Regional Bureaus, H, and L. Receipt of the guidance that emerges from the President's decision on NSSM 179 (Spain) will be a key factor in determining future policy on this issue.

ISSUE 3: Our base and operating rights infrastructure in the Mediterranean area is particularly vital to operations in the Middle East, and has become increasingly vulnerable to political denial by the host governments.

Restrictions on our Israeli airlift operations pointed up the tenuous quality of our base structure in the Mediterranean basin, as well as in Western Europe. The vulnerability of our European base structure for unilateral U.S. actions outside a NATO context clearly requires searching reexamination. We should undertake an inventory of our assets (which seem few), identification of their limitations, and a re-assessment of our means of consultation to determine how we can best repair the fissures.

#### Our Assets

Our main assets stem from the fact that friendly nations on the Mediterranean littoral share our objective of promoting stability in the Middle East and avoiding great power confrontation. While there is a reluctance to become involved, which is heightened by the increased vulnerability of the European nations to the "oil weapon," when it can be demonstrated that U.S. actions promote stability we will have good prospects of securing cooperation from our allies. These prospects will be enhanced if they are not forced to take public positions which appear hostile to the Arab states. Many of our requirements are for peacetime "visible" presence rather than wartime or emergency capability. Ways might be found to reduce our requirements, particularly for facilities of limited value in real emergencies (as was the case in Spain in the 1970 Jordanian crisis and in October-November this year).

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If we are forced into another situation comparable to the most recent Arab-Israeli crisis, the most logical operating base between Lajes and the Eastern Mediterranean appears to be Sigonella, Sicily. It should be reviewed as the priority facility that we should consider expanding in view of its central geographic location in the Mediterranean.

#### Our Liabilities

However, it seems likely that a review will only confirm what we already know. European governments who host our forces and facilities will permit our use of their territory on a case-by-case basis only when their national interests coincide or are not in conflict with ours. Accordingly, any effort to build what in effect was a sovereign base at Sigonella (or elsewhere), where we would have exclusive use to support U.S. contingencies, would probably encounter extremely tough political opposition. Moreover, recent events in Athens could cast a shadow over our long-term use of Greek facilities and further implementation of homeporting. Finally, our base and operating rights throughout Western Europe, including the Mediterranean, occupy a central role in our capability to support NATO and, in this respect, are essential and must be retained even if not available to support unilateral U.S. actions.

#### - Next Steps:

EUR, NEA, AF, and PM agree that an assessment of our basing and vulnerability in the Mediterranean should be undertaken as a matter of priority. EUR notes, however, that our Mediterranean bases play an essential role in our ability to support NATO and sustain our own NATO commitments without reference to the use of such bases for U.S. unilateral contingency operations. NEA considers that any assessment of Mediterranean basing should include an examination of alternatives to bases which we cannot rely on using to supply and protect Israel or to meet other possible U.S. unilateral uses. Such measures might include alternative deployments of our global naval strength, an overall increase in U.S. Naval strength, more C-5A's, etc.

The lessons derived from a Mediterranean study could provide a useful backdrop to a more comprehensive study of worldwide base vulnerability.

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Your preliminary views or guidance on the foregoing  
would be appreciated.

Drafted: PM/ISO:JDStoddart:ml; PM:LSloss:sac  
12/24/73

Concurrences:

EUR - Mr. Romine  
NEA - Mr. Schiff  
ARA - LCOL Williams  
AF - Mr. Navez  
EA - Mr. Chapman  
S/PC - Mr. Perez  
L/PM - Mr. Fields

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